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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902 E) For Authority To Implement Optional Pilot Program To Increase Customer Access To Solar Generated Electricity.	Application No. 12-01-008 (Filed January 17, 2012)
And Related Matter.	Application No. 12-04-020

REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON PACIFIC GAS AND ELECTRIC AND SAN DIEGO GAS AND ELECTRIC'S OPENING COMMENTS

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REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON PACIFIC GAS AND ELECTRIC AND SAN DIEGO GAS AND ELECTRIC'S OPENING COMMENTS

I. INTRODUCTION

The Commission's Office of Ratepayer Advocates (ORA) welcomes this opportunity to present its views on the Green Tariff Shared Renewables (GTSR) programs proposed by Pacific Gas & Electric (PG&E) and San Diego Gas & Electric (SDG&E), as allowed in the Scoping Ruling dated October 25, 2013. If implemented, the ORA proposals will better ensure that nonparticipating ratepayers bear no costs or risks associated with the GTSR programs. Accordingly, ORA recommends that PG&E and SDG&E (utilities or IOUs) be directed to:

- Utilize balancing and tracking accounts to ensure that participants bear all costs and risks associated with the tariff and that the general body of ratepayers do not fund any of the costs of the GTSR programs;
- Have utility shareholders bear any marketing and administrative costs of the GTSR programs that exceed the costs recovered from participants;
- Procure resources for the GTSR programs in a conservative manner that links procurement amounts to actual GTSR program participation, and roll the GTSR programs out as limited megawatt (MW) pilot programs to gauge customer interest;

- Use full-cost ratemaking (that covers all costs of the program including corporate overhead, employee benefits, administrative costs, marketing expenditures, procurement costs and the like) in adopting the GTSR program tariffs in order to ensure the rates are fully compensatory and achieve nonparticipating ratepayer indifference;
- Limit all GTSR programs to an initial five-year term and file a new application if the utilities would like to extend the term of the programs;
- Provide participants with a sixty-day "cooling off period" after the initial subscription in which the customer can cancel or change their subscription;
- Use the California Public Utilities Commission (CPUC) complaint process to resolve disputes with program participants. If disputes cannot be resolved through CPUC complaint process, utility shareholders should fund the costs of arbitration;
- Develop customer-friendly websites providing all the information customers need to make a well informed decision about participating in the GTSR programs;
- Abide by the Community Choice Aggregators (CCA) Code of Conduct in marketing the GTSR programs, so that CCAs are not unduly disadvantaged and the IOUs do not unfairly exercise market power;
- Update their Affiliate Transactions Compliance Plans in the event any utility affiliate participates in an enhanced community renewables program to demonstrate affirmatively that they will not afford any preferential treatment to such entities or otherwise facilitate unfair competition with respect to such program.

II. DISCUSSION

A. Compliance with Senate Bill (SB) 43

1. Ratepayer Indifference Requirement

ORA's principal comment on consistency with SB 43 relates to each project's adherence to the requirement of ratepayer indifference, set forth in Public Utilities Code §§ 2831(h) and 2833(p).[1] There are two possible ways in which the proposals, as written, may violate this indifference requirement: 1) if the GTSR energy is procured at prices that differ from those the IOU would have paid to satisfy its Renewable Portfolio

[1] All statutory references are to the Public Utilities Code unless otherwise indicated.

Standard (RPS) obligations; or 2) if the IOU uses existing, ratepayer supported, staff for administrative and marketing tasks rather than dedicated green tariff program staff, or, if separate staff is not required, if the IOU fails to track how much of existing staff's time is spent on the GTSR, and to ensure that GTSR customers pay for that time. The following includes a discussion of each of these scenarios after identifying the relevant statutory provisions.

Ratepayer indifference is the principle that ratepayers that do not benefit in or participate in a new program offering by an IOU should not bear the risk or cost of that program, and that those who do participate should bear all costs they cause. SB 43, as codified in Public Utilities Code §§ 2831-34, contains two provisions requiring such indifference. Section 2831(h) states the Legislative intent

> that a [GTSR] program be implemented in a manner that ensures nonparticipating ratepayer indifference for the remaining bundled service, direct access, and [CCA] customers.

Section 2833(p) obligates this Commission to

> ensure that charges and credits associated with a participating utility's [GTSR] program are set in a manner that *ensures nonparticipant ratepayer indifference* for the remaining bundled service, direct access, and [CCA] customers and *ensures that no costs are shifted from participating customers to nonparticipating ratepayers.* (Emphasis added.)

One must read these provisions along with the provision of the statute allowing IOUs to use unsold resources from their GTSR programs to meet their RPS obligations.[2] Under the first scenario ORA notes above, if using such resources for RPS compliance results in a subsidy by general ratepayers to the much smaller group of ratepayers subscribing to the GTSR program, then such use is prohibited; any other interpretation would render the ratepayer indifference requirements a nullity. The same is true for the portion of the statute that allows an IOU to bank the excess procurement not used for its

[2] Section 2833(r) allows for unused RECs to apply toward RPS obligations, and Section 2833(s) allows use of excess generation for RPS compliance.

GTSR program for future RPS compliance.[3] If applying unused generation or Renewable Energy Credits (RECs) to RPS drains general ratepayer resources, such practice violates the legislative intent "that a [GTSR] program be implemented in a manner that ensures nonparticipating ratepayer indifference for the remaining bundled service, direct access, and [CCA] customers."[4]

Using over-procured RECs or generation from a GTSR program to satisfy RPS obligations will violate the ratepayer indifference principle if it costs the IOU more to satisfy its RPS obligations with unsold GTSR megawatts than the IOU would pay if it satisfied its RPS obligations independently of the GTSR. There are several ways in which this may occur, and the Commission will have to disallow each scenario from coming to fruition in order to satisfy the mandate in Sections 2831(h) and 2833(p):

- The GTSR portfolio may be procured earlier than the IOU would otherwise procure energy for its RPS program, and if renewable energy prices are declining, using this energy to satisfy RPS obligations will cost more than it should have had the IOU waited and bought RPS generation at a later, lower price.
    - Assume, for example, that through the June 2014 Renewable Auction Mechanism (RAM) an IOU executes an additional contract for a 5 MW facility at a price equal to the weighted average of all other selected bids, but only signs up enough GTSR participants to subscribe the equivalent of 1 MW; nonparticipating ratepayers will be forced to pay the cost of the 4 MW that are unsubscribed. Assume as well, that this energy is not needed for RPS compliance until one year after the facility begins delivery. The IOU banks that amount towards that year's RPS procurement obligations and defers its procurement of a new project for RPS compliance purposes accordingly. If that new project reflects a lower price than the contract the IOU paid for its GTSR program, nonparticipating ratepayers will have paid a higher price, and paid it one year earlier, as a direct result of the IOU's procurement for its GTSR program, violating the ratepayer indifference principle.

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[3] Section 2833(s) allows an IOU to "bank the excess generation for future use to benefit all customers in accordance with the [RPS] banking and procurement rules approved by the commission."

[4] Section 2831(h).

- An IOU may use RPS mechanisms to take bids for GTSR resources,[5] but choose the cheapest resources to sell to its GTSR customers. Doing so harms the general body of ratepayers for whom the IOU is required to comply with RPS obligations, by favoring GTSR customers with cheaper energy. The IOU must be obligated to use a "slice" of resources for its GTSR that mirror in price those used for RPS, or else violate the ratepayer indifference principle.
- The converse may also be true. The IOU may pay more for GTSR resources due to the relatively small size of their programs or some other reason. If it uses any unused portion of these resources to satisfy its RPS obligations, it may end up violating the ratepayer indifference principle because procurement directly to meet RPS obligations would have been cheaper.
- The IOU with excess GTSR resources may not have any leftover RPS obligation. If the excess resources are never needed or used, and general ratepayers must pay for them, this is a clear violation of the ratepayer indifference rules.
- All of the above concerns apply with equal force to the banking scenario, where an IOU that does not need excess GTSR resources to meet RPS procurement obligations banks them for future use under Section 2833(s). Any time these banked leftover GTSR resources cost more than then would have if were procured only for the RPS program, they violate the ratepayer indifference requirement.
- Using excess RECs associated with electricity procured for a GTSR program presents its own challenges vis-à-vis the ratepayer indifference requirement. In at least two REC sales transactions that SDG&E has executed in the past three years, while the pricing information from these transactions is confidential, in general terms the revenues SDG&E will receive from these sales is less than the cost to SDG&E of procuring those resources. While this is a problem common to all RECs, it is more of an issue here given the ratepayer indifference requirement in the statute. That is, a REC procured as part of an energy transaction for GTSR cannot be used in the RPS program if it will cost the RPS program more than an independent REC would cost, or else the ratepayer indifference rule will be violated. Under ORA's second scenario, the IOUs may violate the ratepayer indifference principle by using ratepayer-funded administrative resources, such as staff,

[5] Section 2833(c) requires IOUs to use RPS "tools and mechanisms" to procure resources for their GTSRs, so IOUs are likely to use the same method for seeking bids for GTSR contracts as they use for their RPS.

> equipment and facilities, to support GTSR programs. As the statute requires, IOUs "shall track and account for all revenues and costs to ensure that the utility recovers the actual costs of the utility's [GTSR] program and that all costs and revenues are fully transparent and auditable."[6]

This tracking requirement may eliminate any risk that ratepayer-funded administrative resources are used to subsidize the GTSR offerings, but because SDG&E does not propose to have its shareholders cover any administrative costs that cannot be recovered from participants, its programs could violate the ratepayer indifference principle. One possible way SDG&E's programs could violate this principle is if participation in the GTSR programs does not reach levels sufficient to recover administrative costs solely from participants. Under SDG&E's current proposal, nonparticipating customers would have to cover these costs. Using nonparticipating ratepayers as the backstop for any costs resulting from these pilots – whether for procurement, administration or otherwise – would violate the ratepayer indifference principle and should therefore be prohibited for these pilots.

2. Procedural Steps to Comply

The Commission should require the IOUs to use Tier 3 Advice Letters for changes to their existing programs and approval of contracts under the programs, and file formal Applications to extend the terms of the programs or expand them beyond the program size initially authorized.

a. Tier 3 Advice Letters and Applications Are Required

The statute does not specify how the IOUs should comply with its various mandates. In various places, the IOUs propose a Tier 2 Advice Letter. Under the Commission's General Order (GO) 96-B, a Tier 2 Advice Letter serves as a request for approval where the Commission's Energy Division, and not the full Commission, has

[6] Section 2833(q).

delegated authority to approve or disapprove the request.[7] For example, PG&E proposes to comply with Section 2833(i), and SDG&E proposes approval of its contracts for generation to serve GTSR load by a Tier 2 Advice Letter as well.[8]

However, such matters are not appropriate for consideration by Tier 2 Advice Letter. The Commission should require the IOUs to file a Tier 3 Advice Letter in order to make program changes during the initial term of the program, and for approval of its generation contracts to serve the GTSR programs. The Energy Industry Rules applicable to Tier 2 Advice Letters, which are effective upon staff, and not Commission, approval, allow only the following matters to be considered via a Tier 2 filing:

> Matters appropriate to Tier 2 are:
>
> (1) A change in a rate or charge pursuant to an index or formula that the Commission has approved for use in an Advice Letter by the Utility submitting the Advice Letter but that the Utility has not used previously for this purpose. This Industry Rule does not cover a change pursuant to a methodology, such as a methodology approved by the Commission for use by a Utility for performance-based ratemaking.
>
> (2) A tariff change that is consistent with authority the Commission previously has granted to the Utility submitting the Advice Letter, such as a rate change within a price floor and ceiling previously approved by the Commission for that Utility.
>
> (3) A refund program to comply with a Commission order requiring the refund.
>
> (4) A request relating to a substation or power line under Section III.B.1 of General Order 131.
>
> (5) A rate or revenue requirement update for performance-based ratemaking as approved by the Commission for the Utility submitting the update.
>
> (6) Amortization of a balance in a balancing account if the Commission has specified both (i) the amortization period, and (ii) the rate component by which the balance will be amortized.

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[7] *See* Commission GO 96-B, Rules for filing and publishing tariffs for gas, electric, telephone, telegraph, water and heat utilities, Energy Industry Rule 5.2 (available at http://docs.cpuc.ca.gov/PUBLISHED/GENERAL_ORDER/164747.htm).

[8] SDG&E Opening Comments, November 15, 2013, Attachment A, p.6.

> (7) An Advice Letter otherwise appropriate to Tier 1 but for which the Utility submitting the Advice Letter requests review and disposition under Tier 2.[9]

Nothing on this list relates to contracts under a previously untested new statutory program that requires Commission vigilance to ensure there is no violation of the ratepayer indifference principle. As ORA outlines in Section A.1, above, many contracts under GTSR raise the possibility of violating the ratepayer indifference principle if their megawatts are undersubscribed and are therefore applied to meet RPS requirements. In view of these risks, and the statute's obvious intent for the *Commission*, and not its staff, to enforce the indifference principle,[10] the *Commission*, and not Energy Division, must approve matters delegated to the Commission in the GTSR statute.

There are only two ways in which the Commission itself can render a decision in this context: in response to a Tier 3 Advice Letter filing under General Order 96-B,[11] or in response to a formal application under Commission Rules (Rules) of Practice and Procedure Articles 2-3.[12] The key difference between an application and Tier 3 Advice Letter relates to the applicant's or intervening parties' right to an evidentiary hearing. Tier 3 does not provide for such a hearing, while an Application does.[13]

Both utilities propose to extend the sunset of their programs and expand the programs by Tier 3 Advice Letter.[14] Such expansions require an application and full Commission Decision under Article 2-3 of the Rules. The Commission must have an

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[9] Id.

[10] *See* Section 2833(p) ("The *commission shall ensure* that charges and credits associated with a participating utility's [GTSR] program are set in a manner that *ensures nonparticipant ratepayer indifference…."*; emphasis added).

[11] GO 96-B, Energy Industry Rule 5.3, "Matters Appropriate to Tier 3 (Effective After Commission Approval) (available at http://docs.cpuc.ca.gov/PUBLISHED/GENERAL_ORDER/164747.htm#P975_102188).

[12] Rules, Article 2, Applications Generally, and Article 3, Particular Applications (available at http://docs.cpuc.ca.gov/WORD_PDF/AGENDA_DECISION/143256.PDF).

[13] For hearing rules on a formal application, *see* Rules, Article 14.

[14] PG&E Revised Testimony, December 6, 2013, p.1-3 and SDG&E Revised Testimony, December 6, 2013, Ch. 2, p.41.

opportunity to evaluate the programs and determine whether their performance warrants extension and/or expansion. Such evaluation may require evidentiary hearings to determine and resolve factual disputes about how the programs have performed. Because a Tier 3 Advice Letter does not allow for such hearings, only a full application is appropriate to test the merits of prior program performance.[15]

b. PG&E's Application Requires Additional Testimony

The GTSR statute permits an IOU to receive approval of a GTSR program if it filed an application or filed a settlement related to that application prior to May 1, 2013.[16] Thus, PG&E's Application No. 12-04-020 falls under this exception. However, PG&E has opted to attempt to show that its Application meets the requirement of the statute, and has done so in a vague and oblique way. For example, on ORA's key issue – ratepayer indifference – PG&E has simply cited its Settlement Agreement, without addressing any of the types of risks ORA raises above. Regarding compliance with the ratepayer indifference requirement of § 2831(h), PG&E merely states "Compliant" and cites to two sections of its Settlement Agreement which do not adequately explain how PG&E will ensure its Green Option program achieves ratepayer indifference.[17] PG&E's revised testimony, served on December 6, 2013, does not cure the problem, as discussed in greater detail in Section F below. Therefore, ORA requests a Ruling requiring that PG&E further address how its program will ensure ratepayer indifference under the scenarios ORA lists in Section A of this filing.

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[15] There is precedent for this approach: PG&E submitted an application, Application 09-05-016 for authorization to continue the ClimateSmart program, a voluntary participation "green" program, similar to the GTSR programs. See Decision 10-10-025, p.4.

[16] Section 2832(d).

[17] PG&E Opening Comments, November 15, 2013, Appendix A, "Compliance with SB 43," p.1.

B. Ratepayer Indifference

1. Achieving Ratepayer Indifference

In this section, ORA discusses the mechanics of achieving ratepayer indifference in compliance with the statutory provisions discussed in Section A, above. In implementing the GTSR programs, the IOUs should follow the principle of ratepayer indifference mandated by the Commission in Decision (D.) 12-12-037. There, the Commission requires that the Southern California Gas (SoCalGas) Company Compression Service Tariff include balancing and tracking accounts to ensure that participants bear all costs and risks associated with the tariff.[18] The Commission takes a firm stance on nonparticipating ratepayer indifference, requiring that the program be implemented in a way that ensures "nonparticipating customers bear none of the costs and risks" associated with the program.[19] The Commission should implement the same approach in this proceeding, and require the IOUs to ensure all the costs and risks of the GTSR programs are borne by participating ratepayer in order to ensure nonparticipating ratepayer indifference. As ORA discusses in Section A.1, SB 43 requires no less.

2. Program Costs

In order to achieve nonparticipating ratepayer indifference, it is essential that the GTSR programs be administered in a way that does not result in cost shifting to nonparticipating ratepayers. If nonparticipating ratepayers are to be indifferent to the GTSR programs, they should not pay for the programs' administrative costs. There are two basic aspects of the GTSR programs – customer care (and other aspects of GTSR program administration) and procurement. With regard to customer care (or service), at start-up, the GTSR programs will require a great deal of staff time and effort to answer customer questions, market the programs, and roll out program offerings. Using existing staff to perform this work will take resources from existing customers who do not sign up for the GTSR programs. Indeed, it is likely that because the GTSR programs are new,

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[18] 12-12-037, p.65, Ordering Paragraph 3.

[19] Id.

each customer will use a proportionately higher share of each respective IOU's staff time than do existing customers *per capita* on regular bundled service. Thus, the reduction in staff time and other resources for bundled customers could be significant.

The best way for the IOUs to ensure that nonparticipating customers remain indifferent to the GTSR programs in regard to general IOU staff and resources is for the IOUs to use separate staff and facilities to carry out the GTSR programs. In this way, there is no risk that existing staff will fail to keep accurate track of the time and resources they spend on GTSR program. The Commission requires such separation in cases where a utility's affiliate is offering a competitive product or service.[20] With this arrangement, the GTSR programs have dedicated customer support and procurement staff and there is no risk that general ratepayers will subsidize the new offering.

The other option would be for the IOUs to use existing customer service and procurement staff, but the Commission would have to order the IOUs to track the GTSR program costs carefully and report them regularly. Both of the IOUs propose to implement this method. It is essential that all program costs and staff resources be tracked on a regular and consistent basis in order to ensure nonparticipating costs do not fund any of the costs of the GTSR programs.

Even if the IOUs carefully track all staff resources and costs attributable to the GTSR programs, there is still a risk that costs could be shifted to nonparticipating customers. PG&E proposes that its shareholders bear any administrative and marketing costs generated by its GTSR program in excess of the revenues received from participating customers.[21] Given the inherent difficulty in tracking all costs and staff resources utilized for the GTSR program, this proposal is necessary to maintain nonparticipating ratepayer indifference. The Commission should require SDG&E to

[20] *See* Decision (D.) 06-12-029, Opinion Adopting Revisions to (1) the Affiliate Transaction Rules and (2) General Order 77-L, as Applicable to California's Major Energy Utilities and Their Holding Companies, issued December 14, 2006, Appendix A Affiliate Transaction Rules Applicable to Large California Energy Utilities, http://docs.cpuc.ca.gov/PublishedDocs/PUBLISHED/GRAPHICS/62212.PDF.

[21] PG&E Opening Comments, p.10.

implement this approach as well, and recover any excess GTSR program costs from its shareholders.

The proposition that utility shareholders should bear the risks of some elective customer programs is echoed in the Commission's December 19, 2013 Decision in the SoCalGas Biogas Conditioning Service case.[22] In that proceeding, it was determined that "SoCalGas shareholders shall bear the risk associated with providing the BCS tariff."[23] The Decision mandates that all costs associated with the voluntary tariff be excluded from rate cases and recovered only for participating customers or SoCalGas shareholders. The Commission should require the IOUs to do the same in this case, that is, exclude GTSR program costs and revenues from the base rates determined in each respective IOU's general rate case proceeding and mandate that all GTSR program costs be recovered from participating customers or the IOU shareholders.

As evidenced by § 2831(h) the Legislature is very concerned about cost shifting as a result of the implementation of the GTSR programs. As such, there is clearly a need to maintain nonparticipating ratepayer indifference with respect to any incremental administrative and related costs that result from the GTSR programs.

3. Procurement and Maintaining Ratepayer Indifference

As discussed above in Section A.1 of these Reply Comments, there are several ways using over-procured RECs or renewable generation from the GTSR programs to satisfy RPS obligations could violate the ratepayer indifference mandate of § 2831(h). One risk is that resources could be procured before they are needed at a potentially higher price than if they had been procured when needed. In order to reduce this risk, it is essential that the GTSR programs be rolled out slowly (as discussed in greater detail

[22] D.12-12-___ Decision Adopting Joint Settlement Agreement and Granting Southern California Gas Company's Application to Establish a Biogas Conditioning and Upgrading Services Tariff, (December 19, 2013) in A.12-04-024, p.11. ORA was an active party in this proceeding and a signatory to the approved settlement. ORA will furnish the full case citation when the Commission mails the final decision.

[23] Id.

below, in Section D). This risk can be significantly mitigated if the IOUs only procure resources for the GTSR programs that are supported by participating customer demand. ORA recommends that the Commission require both IOUs to procure resources for their GTSR programs in a conservative manner that links procurement amounts to actual GTSR program participation.

Another nonparticipating customer risk from over-procurement for the GTSR program comes from the potential the IOUs will choose to procure the cheapest RPS resources for the GTSR program. This would mean the general rate base will pay more for resources procured for RPS requirements. As discussed above in Section A.1, the inverse could also occur and then nonparticipating ratepayers would be forced to pay a higher price for the RPS resources in the event excess renewable resources are procured for the GTSR programs and then banked for future RPS compliance.

SDG&E has proposed to use the RAM procurement process to procure energy for its SunRate program.[24] In order to avoid the risk to nonparticipants discussed above, SDG&E will choose the least-cost bids for its RAM procurement requirements and then will choose the next least-cost bid to procure energy for the SunRate program.[25] PG&E should implement the same policy for its Green Option program. In order to minimize the risk of the GTSR programs driving up the cost of general RPS compliance, the Commission should require the IOUs to procure the least-cost resources to satisfy RAM procurement requirements and then procure the next least-cost resources for the GTSR programs.

SDG&E has developed another good strategy to protect nonparticipating customers from paying unnecessarily high prices for any excess resources procured for the GTSR programs that are then banked for general RPS compliance purposes. In its revised Testimony, SDG&E states that it will only select bids for the GTSR program "if the price does not exceed a price that is $4 higher than the weighted average price for

[24] SDG&E Revised Testimony, December 6, 2103, Chapter 4, p.5.

[25] Id.

short listed solar RAM bids."[26] The Commission should require PG&E to implement a similar price cap proposal.

Although SDG&E's proposal will minimize some of the risks the GTSR programs pose for nonparticipating customers, such customers could still ultimately bear additional costs from the GTSR program. Under the price cap proposal, the risk of incremental costs to nonparticipating ratepayers still exists, and is magnified by the amount of the price cap (i.e., $4/MWh). Thus, it is essential that all of ORA's recommendations be implemented in order to ensure nonparticipating ratepayer indifference, as mandated in § 2831(h).

C. Certain Elements Should be Consistent Across all Utilities' GTSR Programs

1. The Accounting and Ratemaking Methods Utilized to Ensure Nonparticipating Ratepayer Indifference should be Consistent throughout All IOU GTSR Programs

As discussed above in Section B.2 of these Reply Comments, the IOUs should track and account for program costs and IOU resources attributed to the GTSR programs in order to satisfy the nonparticipating ratepayer indifference mandate in § 2831(h). The Commission should mandate that the IOUs utilize similar accounting methods to track GTSR program costs. In D.12-12-037, the Commission acknowledged the importance of proper accounting:

> There are two accounts critical to ensuring that ratepayers who do not participate in the [program] tariff do not bear risks or costs associated with it. The first account is a balancing account, which is the mechanism to credit back ratepayers for the use of services that are paid through the utilities embedded costs. … A second account, a tracking account, seeks to track both the costs and revenues related to a specific project.[27]

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[26] Id.

[27] D.12-12-037, p.40-41.

The Commission should require that all IOUs offering GTSR programs utilize the two accounts discussed above, a balancing account and a tracking account. In order for these accounts to be effective in preventing violation of the ratepayer indifference principle, the IOUs must track and report all general IOU staff and resources attributed to the GTSR programs. Requiring the IOUs to employ a consistent accounting approach for GTSR program costs and staff resources will help ensure the GTSR programs are implemented in a way that assures nonparticipating customer indifference, and facilitate after-the-fact audits.

In order to comply with the nonparticipant ratepayer indifference mandate of § 2831(h), the Commission should also require that the IOUs use a consistent ratemaking strategy for the GTSR programs. The IOUs should utilize full-cost ratemaking for the GTSR programs. Full-cost ratemaking ensures that the rate charged to the GTSR customer is cost based and fully compensatory, meaning that it covers all costs of the program including corporate overhead, employee benefits, administrative costs, marketing expenditures, procurement costs, and the like. The Decision, approved by the Commission on December 19, 2013 in proceeding A.12-04-024, requires that SoCalGas utilize full-cost ratemaking for the biogas conditioning tariff rate charged to participants and also required that the rate be fully compensatory.[28] The Commission should require that full-cost ratemaking be utilized to determine the GTSR program tariffs in order to ensure the rates are fully compensatory and achieve nonparticipating ratepayer indifference.

2. All GTSR Programs should be Limited to an Initial Five-year Term and the IOUs should be Required to File a New Application to Extend the GTSR Programs Past that Term

As established above in Sections A and B of these Reply Comments, even if all GTSR program costs are fully recovered through participant rates, the GTSR programs

[28] D.12-12-___ Decision Adopting Joint Settlement Agreement and Granting Southern California Gas Company's Application to Establish a Biogas Conditioning and Upgrading Services Tariff, (December 19, 2013) in A.12-04-024, pp.8-9.

still present a real risk that nonparticipating customers' indifference will not be maintained. This risk stems from the fact that GTSR program participation levels could be very low, resulting in excess resource procurement that will either be used for RPS compliance or banked for future RPS compliance. As discussed above in Section B.3, this could result in nonparticipating customers paying more for RPS resources than if they had been procured on an as-needed basis. Given the inherent risks the GTSR programs impose on nonparticipating customers, the programs should have term limits. The legislative intent of SB 43 highlights the significance of this issue, as § 2834 states that the chapter regarding GTSR programs "shall remain in effect only until January 1, 2019."

Both IOUs propose to keep their GTSR program open to new enrollees for five-years, until January 1, 2019.[29] PG&E proposes to have the ability to extend its Green Option program past the initial five-year term by filing a Tier 3 Advice Letter.[30] As discussed above, a Tier 3 Advice Letter is not the proper method by which a program with this level of inherent ratepayer risk should be extended. The extension of any GTSR program past its initial term and the time limit set in § 2834 should be decided by the Commission, in a new proceeding.

The Commission should require the IOUs to file new applications to extend the GTSR programs past their initial five-year terms so that a record can be developed regarding whether the initial programs in fact maintained nonparticipating ratepayer indifference. PG&E itself highlighted the importance of this issue when discussing "Lessons Learned" from its past ClimateSmart program, an offset program designed to allow customers to offset their greenhouse gas impacts. In PG&E's revised Testimony, it discusses how it would apply its experiences with the ClimateSmart program to the Green Option program, "ClimateSmart Program Lesson Learned 6: More care should be paid to the program duration and also the renewal process…."[31] PG&E has

[29] SDG&E Opening Comments, p.13 & PG&E Opening Comments, p.10.

[30] PG&E Revised Testimony, December 6, 2013, p.1-3.

[31] PG&E Revised Testimony, p.2-3.

acknowledged that the duration of a program is a very important component of the program; thus, extending the program merits full Commission review of the program through the application process.

The Commission should require a five-year program term for all GTSR programs and should mandate that the extension of a GTSR program past the initial five-year term can only be initiated through a new application. This requirement will minimize some of the nonparticipating ratepayer risk arising from the GTSR programs and will ensure that the effects of the GTSR programs on participating customers and nonparticipants are fully evaluated before the programs are renewed.

3. If an Early Termination Fee is Applied, Customers should have Sixty Days to Cancel or Change their Subscription without Penalty

Customers should have an opportunity to cancel or change their subscription after viewing the initial impact on their bills if they will be subject to early termination fees. Both PG&E and SDG&E's GTSR program propose an early termination fee for participating customers who cancel prior to the end of their initial subscription. PG&E's Settlement does not provide information on what fee would be considered "reasonable" but proposes that if such a fee were established participants would have a sixty-day "cooling off period" after the initial subscription to cancel without an early termination fee.[32] SDG&E's early termination fee would be "comprised of the above-market costs associated with the participant's subscription of solar energy plus any administrative costs associated with the participant's subscription."[33] SDG&E's program does not provide a "cooling off period" but will provide a "table of fixed termination costs by year and contract duration."[34]

ORA recommends that both utilities provide participants with a sixty-day "cooling off period" after the initial subscription in which the customer can cancel or change their

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[32] PG&E Settlement Section 3.2.1(c).

[33] SDG&E Opening Comments pp. 11-12.

[34] SDG&E Updated Testimony Chapter 3, p.15

subscription. While both utilities propose to offer websites that will allow customers to determine total bill impacts before subscription, such tools would only provide estimates of impacts.[35] Customers should have the opportunity to see the actual bill impact and consider whether their subscription or subscription level is appropriate. This will be especially valuable for customers considering committing to long-term contracts of 2, 3, 5 or 10 years, as suggested by SDG&E.[36] PG&E should provide the Commission with a proposed method for calculating a "reasonable" termination fee, as SDG&E has done,[37] before its application is approved.

Additionally, if a termination fee is adopted, PG&E should adopt SDG&E's proposal to provide customers with information on termination costs based on a customer's contract year and duration. This information should be provided on the utility's website for the program to offer customers greater cost certainty when considering participation.

4. Disputes between Participating Customers and the IOUs Regarding the Green Tariff Type Programs should be Resolved through the Commission's Complaint Process

SDG&E proposes that SunRate customers first have access to the Commission's complaint process in the event of disputes. If the complaint process is not successful, SDG&E proposes to pay for an arbitration process.[38] ORA has two concerns regarding this proposal: first, that binding arbitration can be difficult for consumers; and second, that the expense of arbitration could be excessive, if SDG&E intends for ratepayers to bear its cost. The Commission's complaint process is the proper forum for any disputes to be resolved. The CPUC tends to be well-informed about solar programs because of its experience with the California Solar Initiative. Arbitration may entail using retired judges unfamiliar with such programs, and perhaps less attuned to the work of the CPUC

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[35] PG&E Settlement Section 3.6.3 and SDG&E Opening Comments p. 20.

[36] SDG&E Opening Comments p. 11.

[37] SDG&E Updated Testimony Chapter 3, pp. 14-15.

[38] Id. Chapter 2, pp.44-45.

in protecting consumers. It would appear that a Commission-sponsored process, or the normal Commission appeals process, would be more apt to give consumers an audience that understands Commission processes and the nature of the GTSR program.

SDG&E says it will bear the cost of arbitration.[39] It is unclear whether this means SDG&E's shareholders or ratepayers. If SDG&E intends for ratepayers to finance the arbitration, this fact creates even more of a case for the CPUC to handle appeals from customer complaints. The hourly rates for retired judges handling arbitrations tend to be very high, and the CPUC processes already exist and are funded. Therefore, ORA recommends that all SunRate and Green Option program participant complaints be handled through the CPUC customer complaint process. If the IOUs would like to use arbitration to handle any complaints that cannot be resolved through CPUC processes, the Commission should require that shareholders, not ratepayers, pay for these costs. The Commission should order the same treatment for PG&E's program as it orders for the SDG&E programs.

5. Long-term Contracts may Unfairly Impose Renewable Integration Costs on Nonparticipants

Long-term contracts would allow participants to lock in a Green Tariff or SunRate energy price for the term of participation in the program. While this strategy may induce greater participation from customers interested in commodity cost certainty over a long term,[40] it would also protect participants from increased costs of integrating renewables. Those costs would then be spread only to nonparticipants, while long-term participants are shielded from the increased costs during their contract period. SDG&E's proposal would offer long-term contracts of either two, three, five or ten years[41] while PG&E's proposal may "require participating customers to commit to an initial subscription term of at least one year. At the end of the initial subscription term, participating customers will remain on the program, under the same terms, unless a participant affirmatively elects to

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[39] Id.

[40] SDG&E Updated Testimony Chapter 2, p. 14.

[41] SDG&E Opening Comments, p. 11.

return to PG&E's bundled power supply portfolio."[42] ORA supports the use of one- or two-year contracts with default to the then-current subscription rate, unless and until the customer elects to change their subscription. Such a strategy would limit the undue spread of increased costs of renewable integration to nonparticipants.

6. PG&E and SDG&E Should Provide Customers with All Relevant Information to Motivate Participation

Both utilities propose to offer web-based tools for customer information and support. The specific information each utility plans to provide is as follows:

PG&E[43]

1. Internet-based interface to allow prospective customers to determine bill impacts and GHG reductions
2. Quantity of benefits achieved by participating customers, collectively or where possible, individually[44]

SDG&E[45]

1. Pilot program information and an overview
2. Information on how to enroll
3. Frequently Asked Questions ("FAQs")
4. Interactive tools to help customers understand different participation levels, bill impacts, options available that may best suit their individual needs and how the participation translates in to environmental benefits
5. Program enrollment forms and contracts where applicable
6. Program contact information

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[42] PG&E Settlement Section 3.2.1 (b).

[43] PG&E Settlement Section 3.6.3.

[44] PG&E has not provided details on how this information will be presented to customers, whether on their website or mailed directly. ORA recommends this information be provided on their website for ease of public access.

[45] SDG&E Updated Testimony Chapter 2, p. 35.

ORA recommends that both utility websites provide all the information each utility has proposed thus far. SDG&E has offered in-depth details on the specific tools and information that will be available through its website that PG&E should adopt for its website as well. SDG&E's proposal can also be improved by adopting PG&E's plan to regularly report on the benefits achieved through customer subscriptions. Both utilities can provide such information through a progress report section on their website to track collective benefits metrics. Additionally, both utilities should provide tools to estimate early termination fees if such fees are adopted.

7. PG&E and SDG&E Should Submit Tier 3 Advice Letters for Modifications to Rates and Charges

As discussed in Section A, ORA recommends that PG&E and SDG&E be required to submit Tier 3 Advice Letters for any modifications of rates and credits. PG&E's Settlement discusses a Tier 3 Advice Letter for initial approval of rates and credits and Tier 2 Advice Letters for subsequent modifications after consulting with the Green Tariff Advisory group.[46] SDG&E requests that after Commission approval of rates, charges and credits described in testimony, subsequent changes (expansion of the program and other aspects) be authorized through Advice Letter filings with no Tier specified.[47] As discussed above in Section A.2 of these Reply Comments, Procedural Steps to Comply with SB 43, the IOUs should submit Tier 3 Advice Letters for approval of such changes. The IOUs should submit new applications to extend and/or expand their programs after the initially approved program term.

D. The GTSR Programs Should be Rolled out Conservatively

1. Lessons Learned from Past Voluntary Participation "Green" Programs

PG&E's now closed ClimateSmart program provides valuable lessons on rolling out a voluntary "green" program. The ClimateSmart program is in some ways similar to

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[46] PG&E Settlement Section 3.4.5.

[47] SDG&E Updated Testimony Chapter 2, pp. 40-41.

both PG&E's Green Option and SDG&E's SunRate program. ClimateSmart was a voluntary carbon offset program that was administered by PG&E from 2007-2011. In 2009, PG&E submitted an application to the Commission for a two year extension of the ClimateSmart program. The Commission issued D.10-10-025 granting PG&E's request to extend the ClimateSmart program until the end of 2011. As a condition of granting the extension, the Commission mandated that a third-party independent evaluation of the ClimateSmart program be conducted upon its completion. The evaluation was completed by the 3Degrees Group, Inc. (3Degrees) and they issued a report on their finding on March 29, 2012.[48]

The 3Degrees Evaluation of the ClimateSmart Program found that the program's goals and customer participation projections were set unrealistically high.[49] The Evaluation also found that participation rates, which were estimated to range from 145,000-296,000 customers,[50] were much lower than forecast; the program had only approximately 31,000[51] participating customers at its highest enrollment level. The extreme difference between forecasted participation and actual enrollment is especially enlightening given that PG&E (using ratepayer funds) aggressively marketed the program when it was first rolled out.

[48] 3Degrees, Comprehensive ClimateSmart Program Evaluation Report Pursuant to Ordering Paragraph 5 of D.10-10-025, filed June 15, 2012, available at http://docs.cpuc.ca.gov/PublishedDocs/EFILE/CF/169290.PDF.

[49] Id. at p.3.

[50] Id. at p.28

[51] Id. at Attachment to Appendix C, The Following Tables Include Program Metrics from the 2007-2010 ClimateSmart Annual Reports, with an Update through December 31, 2011, p.1 (ClimateSmart cumulative enrollment as of December 31, 2008 was 30,948, the highest level of enrollment for any year the project was offered).

In 2007, PG&E spent $3,261,000, on marketing and administration costs[52] for the ClimateSmart program, almost five times the participant contributions, $704,000, to the program that year.[53] In 2008, PG&E spent $5,938,000[54] on marketing and administration costs for the program, over double what it received from program participants, $2,558,000.[55] PG&E significantly underestimated the costs per program participant. PG&E projected that the ClimateSmart costs (marketing, administrative, enrollment costs) per customer enrollment would range from $48 to $60 under the medium acquisition cost case (expected).[56] The actual enrollment costs per participant from 2007-2009 ranged from $160 to $215.[57]

As detailed below, the Commission should use this experience to mandate a slow rollout of GTSR programs, to avoid large and unnecessary expenditures (by participants and nonparticipating ratepayers). Especially for PG&E's program, which proposes 272 MWs of generation,[58] the Commission should slow down the rollout given PG&E's prior track record.

2. IOU Shareholders should bear any Marketing and Administrative Costs that Exceed Costs Recovered from GTSR Program Participants

The vast difference between the ClimateSmart marketing and administrative costs and participant contributions to the program discussed above, underscore the need for the GTSR programs to be rolled out in a way that ensures program costs are not significantly out-paced by participant contributions. This experience also provides strong evidence for requiring IOU shareholders to cover any marketing and administration costs not covered

[52] Id. at p.3, Table 4.

[53] Id. at p.3, Table 3.

[54] Id. at p.3, Table 4.

[55] Id. at p.3, Table 3.

[56] Id. at p.33, Chart 4.

[57] Id.

[58] PG&E Revised Testimony, p.1-5.

by the participants, as PG&E proposes.[59] In light of the significant cost-shifting from participants to nonparticipants that occurred as a result of the ClimateSmart program, the Commission should require both IOUs' shareholders to bear any marketing and administrative costs of the GTSR programs that exceed the costs recovered from participants.

3. The GTSR Programs should be Rolled Out as Limited Megawatt Pilot Programs

Another important lesson to be learned from the ClimateSmart program is that enrollment levels in voluntary participation programs, as well as enrollment costs, can be difficult to predict. This fact supports ORA's proposal that the GTSR programs should be rolled out as pilot programs with initial low MW procurement, and only expanded as needed by participation levels. ORA supports SDG&E's proposal to roll both out its GTSR programs out as 10MW pilots. The pilot approach offers many advantages; as SDG&E points out in its Testimony, the starting point of 10MW will "(2) ensure that this procurement does not out-pace customer interest, … [and] (4) reduce the exposure of nonparticipating customers.[60]

In light of the risks over-procurement poses for nonparticipating customers and the difficulty estimating participation levels for voluntary "green" programs, the Commission should require PG&E to roll its Green Option program out as a pilot program with conservative initial procurement.

E. In order to Maintain Ratepayer Indifference, the Proposed Programs must Ensure Fair Competition

In 1997 the Commission initiated a rulemaking to "establish standards of conduct governing relationships between California's…electric utilities and their affiliated,

[59] PG&E Opening Comments, p.10.

[60] SDG&E Revised Testimony, Chapter 4, pp.5-6.

unregulated entities providing energy and energy-related services…."[61] At that time, the Commission was determining how to ensure fair competition in a deregulated electric industry, with explicit concern for preventing the IOUs and their affiliates from gaining unfair competitive advantages through cross-subsidization of products and services. Of particular relevance to this case, D.97-12-088 was clear in the Commission's intent to take a precautionary approach in developing these rules:

> In this proceeding, the Commission and the parties are spending a great deal of time and resources developing rules to *prevent cross-subsidization and market power abuse between a utility and its affiliate*…. As a result of the rules adopted in this decision, in combination with existing affiliate transaction rules, we have developed a body of regulation to prevent such abuses.
>
> We do not wish to adopt a mechanism by which the utility can circumvent these rules by offering the products or services itself instead of through an affiliate, especially when the utility's offering is for a competitive or potentially competitive service and might interfere with the development of a competitive market. Significantly, *we recognized* in the SoCalGas PBR decision *the utility's market power*:
>
>> We also note SoCalGas' argument that the Commission should presume that if SoCalGas does not currently offer a service, it cannot have market power with respect to it, and it is therefore a competitive service. *By the very nature of SoCal's monopoly position in the energy and energy services market, its access to comprehensive customer records, its access to an established billing system, and its "name brand" recognition, it may be that SoCal enjoys significant market power with respect to any new product or service in the energy field.* (Id. at p. 63; emphasis added.)[62]

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[61] R.97-04-011 / Investigation (I.)97-04-012 Order Instituting Rulemaking to Establish Standards of Conduct Governing Relationships Between Energy Utilities and Their Affiliates, ftp://ftp.cpuc.ca.gov/gopher-data/energy_division/affiliate/R9704011_I9704012.doc, filed April 9, 1997.

[62] D.97-12-088 Opinion Adopting Standards of Conduct Governing Relationships Between Utilities and Their Affiliates, issued December 16, 1997, pp. 89-90.

Today, the permissible level of competition is now relatively limited but competitive concerns remain with respect to the ability of CCAs to provide energy or energy-related services to the IOUs' ratepayers. In this case, where recent legislation directs the IOUs to propose programs that would directly compete with existing, proposed and as-yet unestablished CCA program offerings, it is imperative that the Commission uphold both the principles embodied in its Affiliate Transaction Rules and the CCA Code of Conduct and Expedited Complaint Procedure adopted by the Commission in D.12-12-036 (CCA Code of Conduct).

Even if the Commission determines not to order the IOUs to administer the proposed programs through an affiliate, the Commission should nevertheless require the IOUs to administer the proposed programs (if approved) *as if* through an affiliate and to abide by the principles embodied in the Affiliate Transaction Rules. As noted above, the Commission on December 19, 2013 approved a settlement regarding SoCalGas' application for a biogas conditioning and upgrading service.[63] The Commission's intent to uphold the principles of the Affiliate Transaction Rules is clear in the decision approving the settlement:

> The [Biogas Conditioning Service] BCS Tariff will be promoted on a competitively neutral basis through SoCalGas' website, the use of competitively neutral scripts, bill inserts, and customer certifications…SoCalGas shall not tie the provision of the BCS Tariff to any other SoCalGas-provided service. SoCalGas shall provide the Commission with periodic reporting of the BCS customer certifications to validate the non-discriminatory provision of tariff services.[64]

In terms of accounting, SB 43's requirement that "[a] participating utility shall track and account for all revenues and costs to ensure that the utility recovers the actual costs of the utility's green tariff shared renewables program and that all costs and revenues are fully transparent and auditable" is entirely consistent with the principle of

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[63] D.12-12-___ Decision Adopting Joint Settlement Agreement and Granting Southern California Gas Company's Application to Establish a Biogas Conditioning and Upgrading Services Tariff, (December 19, 2013) in A.12-04-024.

[64] Ibid, pp. 9-10. Also see Ordering Paragraphs 5 and 16.

separation as reflected in the Affiliate Transaction Rules.[65] Beyond that explicit requirement, the Affiliate Transaction Rules outline several other key issues/areas highlighting the importance of nondiscrimination, transparency with respect to both marketing, and record-keeping, separation, and regulatory oversight. These same principles carry over to the CCA Code of Conduct, which the IOUs must abide by with respect to their GTSR programs.

The requirement to abide by the CCA Code of Conduct is straightforward with respect to PG&E's proposal, since Marin Clean Energy (MCE) is already providing both a 50 percent ("Light Green") and a 100 percent ("Deep Green") product. While ORA is not aware of any CCA currently operating in SDG&E's territory, it appears that the San Diego County's Board of Supervisors recently approved funding for a CCA study as part of its County Renewable Energy Plan.[66] In any event, in order to be consistent with the Affiliate Transaction Rules, the IOUs must abide by the CCA Code of Conduct given that they will be offering a competitive or potentially competitive product or service.[67]

With respect to the CCA Code of Conduct, the Commission's Energy Division rejected PG&E's Advice Letter 4210-E, which PG&E filed in an attempt to comply with the CCA Code of Conduct. Energy Division's rejection letter cites Rules 2 and 22 and the fact that "PG&E says it expects to market against CCAs in the future, but has not yet formed an independent marketing division. *Thus, it has not demonstrated it has adequate procedures in place* that will preclude the sharing of information with its independent

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[65] Section 2833(q).

[66] Statement of Proceedings, County of San Diego Board of Supervisors Regular Meeting, Meeting Agenda, Wednesday, September 25, 2013 http://www.sdcounty.ca.gov/bos/agenda/sop/092513sop.docx, Agenda Item 1; and April 10, 2013 Memo to Board of Supervisors from Dianne Jacob, Supervisor, Second District, Subject: Comprehensive Renewable Energy Plan (Districts: All), http://www.diannejacob.com/issues/land-use-and-environment/board-asks-staff-to-develop-a-renewable-energy-plan/.

[67] D.97-12-088 Opinion Adopting Standards of Conduct Governing Relationships Between Utilities and Their Affiliates, issued December 16, 1997, pp. 89-90.

marketing division that is prohibited by these rules." (Emphasis added.) As of December 20, 2013, PG&E has not submitted a revised Compliance Plan.[68]

Moreover, insofar as an IOU's green tariff program may also be in competition for the same customers with its own enhanced community renewables program, ORA suggests that the IOUs roll out their programs (if approved) in a sequential manner so that the enhanced community renewables option, which should facilitate rather than stifle competition, is offered before the green tariff option, which poses greater concerns regarding fair competition between IOUs and CCAs. Specifically, a program like SDG&E's proposed "Share the Sun" program would provide a platform for third-party providers to compete to offer a product/service to customers, whereas the "SunRate" and "Green Option" are more clearly "sole source" in terms of the relationship between provider (IOU) and customer.

Given the competitive concerns laid out above, ORA recommends that the IOUs not allow any utility affiliates to participate as a solar provider in their respective enhanced community renewables programs. In the event that an IOU determines to allow any utility affiliate to participate in its enhanced community renewables program, at minimum it should update its Affiliate Transactions Compliance Plan to demonstrate affirmatively that it will not afford any preferential treatment to such entities or otherwise facilitate unfair competition with respect to its enhanced community renewables program.[69]

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[68] PG&E Advice Letter 4210-E, http://pge.com/nots/rates/tariffs/tm2/pdf/ELEC_4210-E.pdf accessed December 12, 2013. Rule 2 of the CCA Code of Conduct states "[n]o electrical corporation shall market or lobby against a [CCA], except through an independent marketing division…" and Rule 22 states "…each electrical corporation that intends to market or lobby against a CCA shall submit a compliance plan demonstrating to the Commission that there are adequate procedures in place that will preclude the sharing of information with its independent marketing division."

[69] Affiliate Transaction Rules, Rule VI.A Compliance Plans.

F. PG&E's Revised Testimony is Deficient and it should be Required to Submit Supplement Testimony

As was discussed in Section A.3, above, PG&E consistently cites to its Settlement Agreement in the original proceeding as evidence that the Green Option program complies with SB 43. Now that PG&E and SDG&E's proceedings have been consolidated and SB 43 has been enacted, PG&E was required to submit revised Testimony fully explaining all of the details of its Green Option program as well as how the program will comply with each provision of the Public Utilities Code enacted in SB 43. The revised Testimony PG&E submitted on December 6, 2013 lacks crucial details about its program and often summarily and without explanation simply cites to its Settlement Agreement as evidence of its compliance with SB 43.[70]

The Revised Testimony PG&E has submitted is insufficient to explain crucial details of the Green Option program. Below is a discussion of the areas in which ORA finds PG&E's revised Testimony to be deficient. The ALJ should issue an order requiring PG&E to file supplemental Testimony to explain the specifics of its Green Option program on the following topics.

1. PG&E's Revised Testimony does not Adequately Explain how Costs for the Green Option Program will be Tracked

PG&E's testimony does not adequately detail how it will track and separate costs for its program. Chapter 5 of PG&E's Revised Testimony is titled "Green Tariff Shared Renewable Cost Recovery." This chapter, which is three pages in total, mentions that PG&E will create a balancing account for the program but does not give specifics regarding how the balancing account and accounting process will work.[71] PG&E also

[70] For example, see p.3-3 of PG&E's Revised Testimony, "Determination of procurement need. Under the GTSR Program, PG&E will undertake procurement efforts when enrollment levels reach or approach the triggers identified in the Settlement." PG&E also includes the following as attachments to Ch.1 of its Testimony: Settlement as Attachment A, The Settling Parties' April 11, 2013 Joint Motion to Adopt Settlement as Attachment b, and Reply Comments of the Settling Parties to the Joining Motion to Adopt the Settlement.

[71] PG&E Revised Testimony, p.5-2.

proposes to use the same team of employees to procure resources for the Green Option program that procure renewables for PG&E's RPS program.[72] Nowhere does PG&E's revised Testimony discuss how employee resources allocated to the Green Option program or the costs attributed to the Green Option program participants will be tracked. PG&E should file supplemental testimony explaining the tracking and accounting of Green Option program costs and employee resources, to ensure that nonparticipating customers do not pay for staff time used for Green Option purposes.

2. PG&E's Revised Testimony does not Sufficiently Explain the Procurement Process for the Green Option Program

The procurement process for the GTSR programs is one of the greatest sources of nonparticipating ratepayer risk in this proceeding. PG&E's chapter on the Competitive Solicitation Process lacks important details explaining which procurement mechanism PG&E will utilize for the Green Option program and how procurement for the program will interact with its general RPS procurement.[73] In contrast, SDG&E provides extensive details on these subjects, including explaining that it will use the RAM procurement process and choose the lease cost bids for the GTSR programs after its general RAM procurement requirements have been met.[74] SDG&E goes on to provide details regarding how its GTSR programs will interact with its RPS procurement obligations.[75] Given the important effects the procurement process for the GTSR programs can have on nonparticipating ratepayer indifference, as ORA details in Section A above, PG&E must file supplemental testimony to more adequately explain its proposals.

[72] Id. at p.3-2.

[73] See pp. 3-1 – 3-4.

[74] SDG&E, Ch.4, p.5.

[75] Id. at Ch.4, pp.17-20.

3. PG&E's Revised Testimony is Insufficient on Other Topics

PG&E's revised Testimony is lacking or completely silent on several other topics that should be addressed. First, PG&E does not discuss whether California Alternate Rates for Energy (CARE) customers will be able to participate in the Green Option program and if so, how their CARE discount would be applied to the Green Option rate. Section 2832(j) states that the GTSR programs should be marketed to low-income communities and customers. As such, PG&E needs to address how participation in the Green Option program will work for CARE customers.

It is unclear whether a CARE customer would receive the full CARE subsidy, or only that amount of subsidy applicable to the portion of their energy bill that is bundled (and not GTSR) service. For example, if a CARE customer receives a $20 discount on their energy bill now and this customer opts to get 50 percent of their energy needs from a GTSR program, and their energy usage stays constant, the testimony is unclear whether the customer will receive only 50 percent of the CARE discount, or $10, once they sign up for the GTSR program, or whether a CARE customer takes the full $20 discount with them. The latter ($20) result is most consistent with the CARE program's goals of benefiting low-income customers and recommends PG&E adopt this approach.

Another important topic PG&E's revised Testimony is completely silent on is ensuring the Green Option program is not used to compete with CCAs, as ORA discusses above in Section E. This is an important issue that warrants at least some discussion by PG&E.

The final subject matter area in which PG&E's revised Testimony is deficient is its discussion of how it will apply the lessons learned from its past ClimateSmart program. PG&E briefly mentions lessons learned from the ClimateSmart program in its revised Testimony but fails to explain in a meaningful way how it will apply these lessons to the Green Option program.[76] As discussed above in Section D.1, PG&E

[76] PG&E Revised Testimony, pp. 2-2 -2-3.

commissioned an Evaluation of the ClimateSmart program. PG&E should take advantage of the lessons learned from this Evaluation and apply them to the Green Option program to avoid repeating the same mistakes. The Commission should require PG&E to file supplemental testimony to clearly explain in detail how it will apply the lessons learned from the ClimateSmart program to its Green Option program.

III. CONCLUDING REMARKS

The Commission should adopt ORA's recommendations discussed above. ORA's proposals are designed to ensure nonparticipating ratepayers will remain indifferent to the implementation of the GTSR programs.

Respectfully submitted,

/s/ SARAH R. THOMAS

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